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BEFORE

THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 96-290-G - ORDER NO. 97-125

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FEBRUARY 13, 1997

IN RE: Joint Application of Atmos Energy) ORDER
Corporation for a Certificate of Public) GRANTING
Convenience and Necessity Authorizing) CERTIFICATE
it to Provide Natural Gas Service in) AND APPROVAL
South Carolina and of United Cities Gas) OF REQUESTS
Company to Discontinue Natural Gas)
Service in South Carolina.)

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Joint Application of United Cities Gas Company ("United Cities") and Atmos Energy Corporation ("Atmos") (United Cities and Atmos are herein sometimes collectively referred to as "Joint Applicants") for an Order (1) granting a Certificate of Public Convenience and Necessity to Atmos authorizing Atmos to commence natural gas service in South Carolina in all territory heretofore certificated to United Cities under the terms and conditions of service, including rates, previously approved for United Cities; (2) authorizing United Cities to discontinue natural gas service in South Carolina upon the effective date of the merger (the "Merger") of United Cities with and into Atmos pursuant to the Merger Agreement dated July 19, 1996 (the "Merger Agreement"); and (3) granting such other authority as may be necessary or appropriate to permit United Cities and Atmos to effectuate the

Merger and to permit Atmos to provide natural gas service in South Carolina in all territory heretofore certificated to United Cities. The Joint Application was filed pursuant to S. C. Code Ann. §58-5-210 (1976) and Reg. 103-404.

On September 19, 1996, the Commission's Executive Director instructed the Joint Applicants to cause to be published a prepared Notice of Filing and Hearing in newspapers of general circulation in United Cities' service area. The Notice of Filing and Hearing indicated the nature of the Joint Application and advised all interested parties desiring to participate in the proceeding of the manner and time in which to file the appropriate pleadings. The Notice also indicated that a hearing would be held in the instant proceeding. On or about October 31, 1996, the Commission was furnished affidavits demonstrating that the Notice of Filing and Hearing had been duly published.

A Petition to Intervene was filed with the Commission by Philip S. Porter, Consumer Advocate for the State of South Carolina (the "Consumer Advocate"). A Petition to Intervene and a Motion to Dismiss were filed by Southern Union Company. However, prior to the hearing, Southern Union Company requested withdrawal of its Petition and Motion, and this Commission so granted its request.

Pursuant to notice given in accordance with the applicable provisions of law and the Rules and Regulations of the Commission, a public hearing commenced on January 9, 1997, with the Honorable Guy Butler, Chairman, presiding. Appearances were entered by Will

Louis, Esquire, Jerry W. Amos, Esquire, Mark G. Thessin, Esquire, and Douglas C. Walther, Esquire, on behalf of the Joint Applicants; Hana Pokorna-Williamson, Esquire, on behalf of the Consumer Advocate; and Catherine D. Taylor, Staff Counsel, on behalf of the Commission Staff.

The Joint Applicants presented the direct testimony of two witnesses: (1) Thomas R. Blose, Senior Vice President of Operations and Engineering of United Cities, and (2) James F. Purser, Executive Vice President and Chief Financial Officer of Atmos. Both witnesses testified that the proposed Merger would be beneficial to the customers of South Carolina and would be transparent in process. The South Carolina customers should not experience any perceptible changes in the daily operations of the company.

The Commission has carefully considered the evidence of record in this Docket and makes the following findings of fact and conclusions of law:

1. United Cities is a corporation organized under the laws of the states of Illinois and Virginia, is engaged in the natural gas distribution business in the states of Georgia, Illinois, Iowa, Kansas, Missouri, South Carolina, Tennessee and Virginia, and has its principal place of business in Brentwood, Tennessee. United Cities currently serves approximately 335,000 customers, including approximately 5,300 customers in the town of Gaffney and the County of Cherokee in South Carolina pursuant to Certificates of Public Convenience and Necessity previously granted by the

Commission.

2. Atmos is a corporation organized under the laws of the State of Texas, is engaged in the natural gas distribution business in the states of Colorado, Kansas, Kentucky, Louisiana, Missouri and Texas, and has its principal place of business in Dallas, Texas. Atmos currently serves approximately 673,000 natural gas customers.

3. Pursuant to an Agreement and Plan of Reorganization between Atmos and United Cities dated July 19, 1996, which is part of the Merger Agreement attached as Exhibit C to the Joint Application, Atmos and United Cities have agreed upon the terms and conditions in a "pooling of interests" merger under which United Cities will be merged with and into Atmos, which will be the surviving corporation in the Merger.

4. Upon consummation of the Merger, all of the assets, properties and business of United Cities, together with all of the obligations and liabilities of United Cities, shall thereupon be transferred to and assumed by Atmos. Under the terms of the Merger Agreement, each outstanding share of the common stock of United Cities will be converted into the right to receive one (1) share of common stock of Atmos. No fraction of a share of Atmos' common stock will be issuable upon the conversion of shares of United Cities stock in the Merger. Instead, each shareholder of United Cities who otherwise would be entitled to a fractional share of Atmos' common stock will be paid the amount of cash equivalent to the fractional share. Following the Merger, Atmos

will operate the business formerly conducted by United Cities as an operating division of Atmos.

5. Atmos is an experienced and capable natural gas local distribution company. Atmos is ready, willing, and able to assume all of the regulatory responsibilities imposed upon natural gas utilities by the South Carolina Code and by the rules and regulations of the Commission. Upon the effective date of the Merger, Atmos will charge the rates then in effect in United Cities' Commission-approved tariffs.

6. The Merger will offer a number of benefits to United Cities' present and future customers in South Carolina, including the following:

(a) By operating from a larger organizational base, the combined companies will be better situated to access the capital markets at a lower cost and will be better positioned to continue to fulfill successfully their obligation to serve in the post-FERC Order No. 636 environment.

(b) The larger organization resulting from the merger will have better access to the capital markets providing the South Carolina operations with access to greater capital resources.

(c) The Merger will permit United Cities to combine its present experience and expertise with the experience and expertise of Atmos and will position the combined companies to meet prospective risks and to

provide a competitive level of customer service.

Based upon the above findings of fact and conclusions of law, this Commission finds and concludes that Atmos should be and is granted a Certificate of Public Convenience and Necessity, and such issuance is in the public interest and will not impair the adequacy and dependability of service to the public as authorized by the Commission.

IT IS THEREFORE ORDERED THAT UPON THE EFFECTIVE DATE OF THE MERGER:

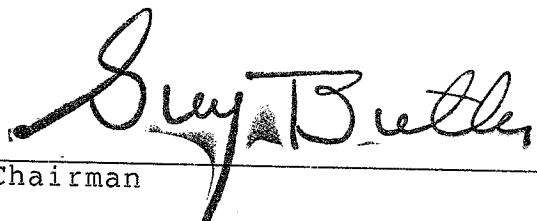
1. A Certificate of Public Convenience and Necessity is hereby granted to Atmos authorizing Atmos to commence natural gas service in South Carolina in all territory heretofore certificated to United Cities under the terms and conditions of service, including rates, previously approved for United Cities.

2. United Cities is authorized to discontinue natural gas service in South Carolina.

3. United Cities and Atmos are hereby granted such other authority as may be necessary or appropriate to permit United Cities and Atmos to effectuate the Merger and to permit Atmos to provide natural gas service in South Carolina in all territory heretofore certificated to United Cities.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director

(SEAL)